

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF BULLOCK PEN	)	
WATER DISTRICT, OF GRANT, BOONE,	)	
AND PENDLETON COUNTIES, KENTUCKY,	)	
FOR (1) A CERTIFICATE OF PUBLIC	)	
CONVENIENCE AND NECESSITY,	)	
AUTHORIZING AND PERMITTING SAID	)	
WATER DISTRICT TO CONSTRUCT A	)	CASE NO. 9148
WATERWORKS CONSTRUCTION PROJECT,	)	
CONSISTING OF EXTENSIONS,	)	
ADDITIONS, AND IMPROVEMENTS TO	)	
THE EXISTING WATERWORKS SYSTEM	)	
OF THE DISTRICT; AND (2) APPROVAL	)	
OF THE PROPOSED PLAN OF FINANCING	)	
OF SAID PROJECT	)	

O R D E R

The Bullock Pen Water District ("Bullock Pen"), by application filed September 28, 1984, and amended during the proceedings in this matter, is seeking authorization to construct a \$461,000 waterworks project, and approval of its financing for the proposed project. The project financing includes \$32,400 from applicants for service in the proposed project area, a loan of \$194,000 from the Farmers Home Administration ("FmHA") at 9 1/8 percent annual interest, a tentative loan of \$50,000 from the FmHA at an estimated 8 5/8 percent annual interest and a grant of \$184,600 from the FmHA. The tentative loan of \$50,000 from the FmHA will be considered after October 1, 1985, when the FmHA receives

its fiscal year 1986 allocation of funds. Bullock Pen will issue waterworks revenue bonds as security for the loans. The repayment period for the loan will be 40 years.

The proposed construction will provide service to about 111 applicants for service. Plans and specifications for this construction as prepared by Cardinal Engineering Corporation of Covington, Kentucky, ("Engineer") have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

A hearing on Bullock Pen's proposed construction and financing was held in the offices of the Public Service Commission, Frankfort, Kentucky, on September 12, 1985. There were no intervenors present and no protests were entered.

#### COMMENTARY

Bullock Pen is a non-profit water utility engaged in the distribution and sale of water to approximately 1380 customers in northeastern Grant, southeastern Boone and eastern Pendleton counties. The largest portion of Bullock Pen's service area is in Grant County. There is one other non-profit water utility which is currently in the planning stages in Grant County. The Corinth Water District, which should provide water service to approximately 150 customers initially around the City of Corinth, is located in southern Grant County.

KRS 74.361 states in part:

The general assembly of the Commonwealth of Kentucky determines as a legislative finding of fact that reduction of the number of operating water districts in the Commonwealth will be in the public interest, in that mergers of such districts will tend to eliminate wasteful duplication of costs and efforts, result in a sounder and more businesslike degree of management and ultimately result in greater economies, less cost, and a higher degree of service to the general public; and that the public policy favors the merger of water districts wherever feasible.

Mr. Bobby Burgess, Chairman of Bullock Pen, testified that the water district has not investigated the possibility of merging with any other water systems. In view of the legislative mandate, the Commission is of the opinion that Bullock Pen should seriously consider merging with the Corinth Water District in Grant County.

#### FINDINGS AND ORDERS

The Commission, after consideration of the application and evidence of record and being advised, is of the opinion and finds that:

1. Public convenience and necessity require that the construction proposed in the application and record be performed and that a certificate of public convenience and necessity be granted.
2. The proposed project for the Bullock Pen water system includes 111 service connections, about 12 miles of 6- and 4-inch water main and miscellaneous appurtenances.

3. The low bids received for the proposed construction totaled \$350,616 which will require about \$461,000 in project funding after allowances are made for fees, contingencies and other indirect costs.

4. Any deviations from the construction herein approved which could adversely affect service to any customer should be subject to the prior approval of this Commission.

5. Bullock Pen should obtain approval from the Commission prior to performing any additional construction not expressly certificated by this Order.

6. Bullock Pen should file with the Commission duly verified documentation which shows the total costs of construction including all capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed. The construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by this Commission.

7. Bullock Pen's contract with its Engineer should require the provision of full-time resident inspection under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering. The supervision and inspection should insure that the construction work is done in accordance with the contract plans and specifications and in conformance with the best

practices of the construction trades involved in the project.

8. Bullock Pen should require the Engineer to furnish a copy of the record plans and a signed statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the date of substantial completion of this construction.

9. A 5/8-inch x 3/4-inch meter should be the standard customer service meter for all new customers and should be installed at all points of service unless the customer provides sufficient justification for the installation of a larger meter.

10. Bullock Pen should file with the Commission a copy of all contractual agreements for the provision of services or the purchase of services which are subject to the approval of this Commission.

11. The proposed borrowing of \$244,000 is for lawful objects within the corporate purposes of Bullock Pen, is necessary and appropriate for and consistent with the proper performance of services to the public by Bullock Pen, and will not impair its ability to perform these services.

12. The financing secured by Bullock Pen for this project will be needed to pay for the work herein approved. Bullock Pen's financing plan should, therefore, be approved.

13. Bullock Pen intends to extend water service to portions of Gallatin and Pendleton counties and is in the

process of annexing the applicable areas. Bullock Pen should comply with KRS 74.110 and KRS 74.115 as they pertain to annexing the area of Gallatin and Pendleton counties to be served. Prior to constructing any improvements in or serving the annexed areas in Gallatin and Pendleton counties, Bullock Pen should file the appropriate Gallatin and Pendleton County Fiscal Court Orders with the Commission.

14. Bullock Pen should investigate the feasibility of merging with the Corinth Water District. Bullock Pen should file a written report on the results of its investigation with the Commission within 90 days of the date of this Order.

IT IS THEREFORE ORDERED that Bullock Pen be and it hereby is granted a certificate of public convenience and necessity to proceed with the waterworks construction projects described by the plans and specifications of record herein approved.

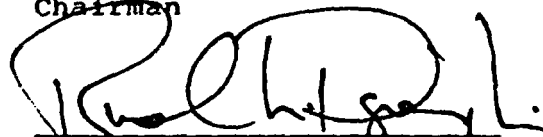
IT IS FURTHER ORDERED that Bullock Pen shall comply with Findings 4 through 10 and 12 through 14 herein as if each of these findings were also ordered.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein authorized.

Done at Frankfort, Kentucky, this 30th day of September, 1985.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Secretary